CONSTRUCTION AND REPAIR PROGRAMS TO ALLEVIATE UNEMPLOYMENT

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

DECEMBER 1, 1982

SERIAL NO. 97–H67

Printed for the use of the Committee on Environment and Public Works

U.S. GOVERNMENT PRINTING OFFICE

12-917 O WASHINGTON : 1982

5321-9

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CONSTRUCTION AND REPAIR PROGRAMS TO ALLEVIATE UNEMPLOYMENT

WEDNESDAY, DECEMBER 1, 1982

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, D.C.

The committee met at 10:09 a.m., in room 4200, Dirksen Senate Office Building, Hon. Robert T. Stafford, chairman, presiding.

Present: Senators Stafford, Domenici, Chafee, Abdnor, Randolph, Moynihan, and Mitchell.

OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator STAFFORD. The Committee on Environment and Public Works will please come to order.

The Chair is happy to welcome our guest to this hearing on the questions involving highway legislation during this 3-week additional session of the 97th Congress.

The Chair, and I am sure my most able colleague and partner in this committee for years, Senator Randolph, appreciate the necessity for reporting this bill with all the appropriate speed we can while doing a thorough job.

I might just indicate that we would like to schedule markup on this bill not later than next Tuesday and Wednesday, if 2 days are required.

The Chair has had no request for hearings.

Senator Randolph, do you have any requests for hearings?

Senator RANDOLPH. No, Mr. Chairman, no requests.

Senator STAFFORD. Then it would be my intent, with your concurrence, that we tentatively propose right now to hold markups next Tuesday and Wednesday.

Senator RANDOLPH. That is agreeable with me.

Senator STAFFORD. If we had to, we could schedule a hearing prior to that time, if it became necessary.

The Chair understands you won't be available on Monday morning. Both parties face the problem of organizational meetings on the part of both parties. The Chair will state we will tentatively schedule markup in the committee on Tuesday and Wednesday next.

We are very, very pleased to welcome Mrs. Alice Rivlin to testify on the need for infrastructure improvements, together with a relationship of that need to the creation of jobs.

This Senator will not dwell on the significance of this topic. The infrastructure need is the current hot topic in the Nation's press. Every publication I pick up seems to have yet another horror story about

crumbling America. These stories report what this committee has sought to grapple with for many years—the need to repair existing public facilities, as well as building new facilities.

By any criteria, the need is mammoth. For example, the Associated General Contractors have estimated that total need is at something over $900 billion. This huge demand exists at a time when Federal investment has been stagnant in many areas and declining in others.

Our committee will explore these issues in great depth in the coming months. It would be the chairman's intention to hold a series of hearings on infrastructure problems during the early months of the next Congress.

In order to tackle the infrastructure need in a responsible fashion, we must recognize two facts. First, there is the problem that many of our infrastructure projects are considered Federal "gifts," because of the lack of any sensible user-pays concept. Without such a user-pays concept, it may be difficult to separate the wish-list projects from those that the Nation truly needs.

Second, we must recognize that any major effort to solve our infrastructure problems cannot simultaneously solve our national unemployment problems. Capital investments in roads, dams, and airports will help the unemployment situation, but in a marginal way only.

An investment in public works must not be viewed as a panacea for unemployment. The sad fact is that an unemployed auto worker in Detroit or an out-of-work steel worker in Youngstown will almost certainly see no paycheck effect from any infusion of public works spending.

Those facts, however, must not divert us from the task ahead. Rebuilding America will not prove easy; nor is it subject to a quick and easy solution. But it is a task that this committee and our Nation must confront. Personally, I look forward to that effort.

The Chair would point out before I yield to Senator Randolph, that we have had the committee staff prepare a side-by-side analysis of the administration's bill and the bill labeled the Stafford bill, which is a joint effort of the Senator from Vermont, the Senator from West Virginia, and several others, and we will have that distributed to members as it will be an easy reference to indicate the differences between the two bills, which we hope we can speedily reconcile in markup next week.

Senator Randolph, I am sure you have an opening statement.

OPENING STATEMENT OF HON. JENNINGS RANDOLPH, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator RANDOLPH. Thank you very much, Mr. Chairman.

Mr. Chairman, I join you and other members of the committee in welcoming Mrs. Rivlin to this hearing. I look forward to learning from her the results of studies conducted by the Congressional Budget Office on the use of public works programs to stimulate employment.

As our country sinks deeper into recession, Congress is again looking to public works construction as a means of reviving our economy while addressing the frightening problem of our deteriorating infrastructure.

Beginning in the 1930's the Congress has from time to time enacted public works programs, usually to create jobs in times of recession. I believe that our prior experience will serve us well in developing a program in 1982 that meets our current needs in a responsible fashion. We also need, however, a long-term, orderly commitment of Federal, State, and local resources to repairing and improving the vital public facilities which are the underpinnings of our national economy.

In September I joined with Senator Moynihan, Senator Hart, and others in introducing legislation (S. 2926) which would begin the development of a rational approach to public works investments. The subject of this legislation is also included in a public works construction bill being introduced today. I commend Senator Moynihan for his longstanding concern in this area and look forward to working with him to secure enactment of this proposal.

The committee has before it proposals to take immediate action to expand the Federal-aid highway program. In this way we could put an estimated 300,000 Americans to work on improvements to our transportation system. I endorse this effort and urge the committee to move quickly to approve this program so that it can be enacted before adjournment of the Congress.

For more than 18 months I have encouraged an increase in revenues for the highway trust fund, the first such increase since 1959. This money is urgently needed to overcome the effects of inflation in the past 23 years and to help reverse the breakup of our roads and bridges.

I hope that in the near future we will also give attention to other public works programs and the need for an orderly approach to capital spending by the Federal Government. It is estimated that two-thirds of our communities lack the basic public facilities to sustain economic growth.

Assistance in providing these facilities has been a primary function of the Commerce Department's Economic Development Administration, which the administration is trying to close just when it is urgently needed to help end the recession.

We have given considerable attention—and rightly so—to the quality of life in our country. We must realize now that this quality is dependent to a large degree on the physical underpinnings of our society and our economy. Increased investments in highways is the starting point for well-reasoned action and providing the resources for the literal rebuilding of America.

Mrs. Rivlin, I know that your testimony will be helpful to the committee and we appreciate your taking time to meet with us today.

Thank you, Mr. Chairman.

Senator STAFFORD. Thank you very much, Senator Randolph. We appreciate your opening statement.

Senator Chafee?

Senator CHAFEE. Mr. Chairman, I look forward to Mrs. Rivlin's testimony.

Senator STAFFORD. In that event, again, Mrs. Rivlin, we are delighted you are here and look forward to your helping in addressing the problems of public works and infrastructure.

We invite you to make whatever statement you care to at this time.

STATEMENT OF ALICE RIVLIN, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Mrs. RIVLIN. Thank you very much, Mr. Chairman and Senator Randolph and Senator Chafee. I am very pleased to be here as you tackle these difficult problems.

As you noted, as the Congress meets for this session, it faces both high unemployment and a growing awareness of the need to rebuild elements of our aging public infrastructure. These dual concerns have prompted proposals to expand Federal infrastructure programs as a means of providing for their long-term financing while simultaneously expanding short-term employment opportunities.

There is little doubt that we must develop a long-term plan to improve the national infrastructure. But we must keep in mind that such a program can have only limited, short-term effects in reducing the serious unemployment caused by the current recession. My remarks today discuss these issues in terms of three points:

National infrastructure needs and the issues involved in addressing them; the use of public works projects to increase employment; and specific options for promoting employment through infrastructure programs.

In recent months, the problem of deteriorating and inadequate public facilities—roads, bridges, water provision and treatment facilities, airports, and mass transportation—has gained considerable attention. The infrastructure problem reflects a pattern of declining real Government spending in most of these areas. Many public facilities are aging or obsolescent and have suffered from deferred maintenance. In some regions, existing capacity is inadequate to serve future growth. Yet all these needs occur as constrained Federal, State, and local budgets appear to preclude major new investments and repairs.

There can be no single definition of national infrastructure needs. Needs are, in fact, conditional on the desired quality of public services and the demand for public services as determined by prices or fees. But inadequate public facilities pose real costs to the economy. In 1980, airport delays cost the major airlines $1 billion alone—not counting the value of lost passenger time. Truck travel on a poor road costs 36 percent more than travel on a good one. The city of Boston is said to lose 43 percent of its water supply through cracks in distribution mains. Thus, regardless of precisely how needs are defined, sizable national needs exist. A summary of such needs would include at least the following:

—Repairing the Interstate Highway System and other Federal-aid highways and completing the Interstate System might cost Federal, State, and local governments $27.7 billion annually between now and 1990.

—Annual investments of $1.5 billion would be needed to relieve congestion at the Nation's airports, and comparable investment levels would be necessary to upgrade and expand the Nation's air traffic control system.

—Total rehabilitation and replacement for the Nation's water treatment and distribution system could cost $100 billion or more through the year 2000. Adding new systems where popu-

lation and economic growth warrant could add $40 to $50 billion to this figure.

—Wastewater treatment, as mandated by the Environmental Protection Agency (EPA) regulations, could cost $139 billion to service over the period 1980–2000.

—The Corps of Engineers estimates that $12.3 billion would be needed for channel improvements, locks, dams, and other inland navigational improvements through 2013.

In the absence of timely repairs or needed new construction, the economic costs of inadequate facilities will increase. Moreover, if improvements are deferred, the costs of correcting the problems will grow as roads, sewers, or water mains deteriorate further and eventually require replacement rather than repair.

In the face of these growing costs, it is imperative to devise a long-run plan to improve our infrastructure. Such a plan could take a variety of forms, and could involve Federal, State, and local governments in both project selection and financing. But any such program must address two major questions: Which projects will be undertaken and how will they be paid for? The notion that the user pays helps answer both questions. Infrastructure projects produce a flow of goods and services (such as potable water, lower cost highway transportation, or protection from flood) that benefit specific, often local, groups of users. Thus, infrastructure investments often can be financed through appropriate charges for these benefits or user fees, such as water rates, highway taxes, or airport landing fees. Beyond providing a source of infrastructure finance, user fees also can help guide public investment toward its correct level and content. The willingness of users to finance infrastructure through fees charged for the resulting benefits is the truest test of the need for, and appropriateness of, individual infrastructural investments.

The imposition of user fees is not a complete solution to the problem of infrastructure financing, however. Some States and municipalities might not be able to borrow enough up-front capital to begin projects that user fees ultimately would finance. Moreover, in some cases—notably that of urban mass transit—self-sustaining user fees might not be feasible, but the regional benefits created by the project might warrant supplementary user fees with subsidies from general revenues. But, despite these exceptions, the principle of user financing is the cornerstone of an efficient infrastructure program.

USING AN INFRASTRUCTURE PROGRAM TO REDUCE UNEMPLOYMENT

Unemployment has risen sharply during the past year, reaching a 40-year high of 10.4 percent in October 1982, with almost 11.6 million persons searching for work. While CBO's economic forecast expects economic recovery in 1983, the employment outlook in the near future is not promising. Joblessness may still rise somewhat from present levels, and current signs do not point to a rapid rebound in employment when recovery does take hold. The rate of economic recovery forecast by the CBO in September, for example, implies a decline of only about 1 percentage point in unemployment from its peak to the end of 1983, and a total decline of less than 2 percentage points by the end of 1984.

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Programs designed to repair elements of our national infrastructure have been suggested as a means to improve the employment picture. One important point that we should keep in mind, however, is that any short-term program to stimulate employment would have only a limited impact on the overall unemployment rate. A substantial reduction in unemployment will come only from broad-based economic growth. In addition, the use of an infrastructure program to promote employment raises several specific questions:

—How quickly could infrastructure-related employment be increased?

—Would infrastructure labor requirements match the unemployed?

—How should infrastructure programs be financed?

How quickly could infrastructure-related employment be increased?

The speed with which infrastructure projects could be started varies considerably among the types of work involved. Considerable time is needed for the engineering design of new sewer systems, airport expansions, or new highway construction or expansion. Once these projects are designed, more time is consumed in contracting them to private engineering and construction firms. It can take over 2 years to develop and design major highway, transit, or sewer projects, and actual construction can take an additional 2 to 7 years. Thus, these major projects cannot be thought of as countercyclical—the recession may be over before their employment effects are felt.

Other infrastructure projects—for example, the repair and maintenance of roads, water mains, and sewers—require less design and contracting time, and may be more appropriate as a source of rapid employment stimulus. Thus, the Congress must determine the extent to which it will choose these shorter term projects to promote employment rather than long-term investment considerations.

An additional timing consideration concerns the form of legislation designed to promote infrastructure investments. While the Congress may wish to consider new legislation to finance long-term infrastructure projects—such as an infrastructure bank or block grants—any such new institution or funding source would require its own leadtime to screen prospective projects or develop funding formulas. Existing infrastructure programs, by contrast, can be used to create new obligations and outlays more rapidly.

Would infrastructure labor match the unemployed?

A further issue is whether the distribution of infrastructure-related employment, both by geographical regions and by required skills, matches those of the unemployed. While infrastructure needs exist in all regions of the country, highway and mass transit projects—particularly those involving repair rather than construction—are probably disproportionately centered in the Midwest and mid-Atlantic regions, where unemployment is severe. Yet targeting repair work exclusively in these areas would force deferral of projects with legitimate needs elsewhere in the Nation.

The types of labor required by infrastructure programs are generally skilled construction workers and laborers; in moving from major construction to repair projects, labor requirements shift to less skilled workers. Moreover, as emphasis shifts away from construction, demand for materials (such as structural steel) decrease, and the de-

mand for labor in these support industries decreases in turn. Thus, while emphasizing short-term repairs might increase the immediate employment derived from an infrastructure program, it would do less to improve employment prospects in support industries that are now operating at low rates of utilization and with high unemployment.

Finally, even if an infrastructure program increased short-term employment somewhat, it would not necessarily enhance the long-term employability of disadvantaged workers with few or no marketable job skills, or workers displaced from declining industries—so-called dislocated workers.

How should infrastructure programs be financed?

The manner in which an infrastructure program is financed would affect its ultimate employment effects. For example, financing infrastructure construction with a simultaneous increase in user fees—such as the proposed increase in the motor fuels tax—probably would not produce a net increase in employment. Higher motor fuels taxes would reduce the purchasing power of households and, in turn, their consumption of other goods and services. Thus, simultaneous increases in highway spending and the motor fuels tax would change the composition of economic activity and employment, but not its level. In the long run, this change might make us better off, as lower cost transportation over well-maintained roads would provide economic benefits for many years. But in the short term, we should expect little increase in employment.

An alternative method of financing such a program would be to use general revenues for infrastructure improvements. This would result in greater short-term employment gains, particularly if more labor-intensive projects, such as repairs, were funded. But such a program higher interest rates of monetary policy remained tight. Accommodating these higher expenditures with a looser monetary policy would preserve the employment effects but could rekindle inflation in the future. Thus, while financing public facilities through general revenues would result in some new employment and make some progress in improving roads, water systems, and transit systems, it might conflict with other fiscal and monetary policy goals.

An additional disadvantage of funding infrastructure improvements from general revenues is the possibility that selected projects might lack economic merit. One way to preserve incentives to choose viable projects would be to convert infrastructure outlays into loans to State and local governments. These loans would be repaid through the subsequent imposition of user fees at the State or local level. Such a program would provide some short-term employment and would guide Federal resources to the correct projects, but would reduce employment later when user fees were imposed.

OPTIONS FOR PROMOTING INFRASTRUCTURE EMPLOYMENT

With these limitations in mind, what kinds of projects offer the best prospects for both meeting infrastructure needs and providing new employment? Increasing the obligational authority ceiling of the highway trust funds, with a parallel increase in the motor fuels tax, would offer several advantages over other intrastructure projects. Small-scale highway resurfacing projects often can be started within

several months and are more labor-intensive than new construction. The Congress could promote these projects by temporarily waiving the State and local share of costs, by allowing States greater flexibility in transferring funds from construction to repair accounts within the trust fund, or by mandating a shift to smaller projects when authorizing new funds. While minor road repairs, such as filling potholes, might offer more employment opportunities for unskilled workers, these repairs fall outside of the jurisdiction of Federal highway programs. Increasing highway obligational authority ceilings and the motor fuels tax would couple infrastructure improvements with user fees that cover their cost.

Sewer and water main repairs would have the same advantages as an employment program as the repair of the highway system. These activities are now the province of State and local governments, however, and the benefits they create are strictly local in nature. New legislation would be required to fund them at the Federal level.

A parallel situation exists for mass transportation. Many municipal transit systems need repairs that could provide an immediate source of new employment. Mass transit systems, however, have a poor record for self-finance. Most have survived, in part, with assistance from the Federal Government through the Urban Mass Transportation Administration (UMTA), which provides capital and operating assistance to publicly owned mass transit systems.

Finally, large-scale, new capital programs for public facilities offer little scope for prompt employment stimulus. While some of these projects, such as new water tunnels or completion of the Interstate Highway System, may have been designed, they would still require significant lead times for contracting and start-up. Moreover, the principle of "user pays" grows in importance as the size of the project increases; if these projects could not support themselves on economic criteria, they might represent a diversion of society's resources from other, more productive uses.

CONCLUSION

In conclusion, while unemployment is extremely high and likely to remain so for some time to come, the solution to this problem lies in substantial, broad-based economic growth. There is probably little that the Federal Government can do in any single employment stimulus program to affect the overall unemployment rate appreciably. Moreover, short-term stimulus programs are not likely to enhance greatly the long-term employability of those persons suffering the greatest employment difficulties.

Proposals to increase highway trust fund obligations and to finance these higher obligations with a motor fuels tax or "user fee" share these difficulties. While they may not make a major dent in our unemployment problem, they do address the Nation's need to devote more resources to improving our transportation system, and they do uphold the principle that users should bear the costs of these improvements. The proposed highway program, therefore, may offer the type of improvement in the Nation's infrastructure that contributes to sustained long-term growth.

Thank you, Mr. Chairman.

Senator STAFFORD. Thank you very much, Mrs. Rivlin, for an excellent statement. I am sure the entire committee is very grateful to you for coming up and counseling with us this morning.

Before we go to questions, several more members of the committee have arrived and the Chair would extend the opportunity now for opening statements if other members who are here wish to make them, and then we will go to questions.

Senator Domenici, did you have an opening statement you wish to make?

Senator DOMENICI. Mr. Chairman, I do have a statement, but I think I will just make it a part of the record, with your permission.

Senator STAFFORD. Very well.

[The statement follows:]

OPENING STATEMENT OF HON. PETE V. DOMENICI, U.S. SENATOR FROM THE STATE OF NEW MEXICO

Mr. Chairman, today's hearing focuses on a serious problem that has received considerable attention in the past months—that of our Nation's rapidly deteriorating and inadequate infrastructure. At the same time, we will be examining the relationship between public works jobs and the need for a solution to the present problem of the highest unemployment rate facing this Nation in the past 40 years.

Much of our Nation's infrastructure is aged and technologically obsolete. Much is seriously deteriorated because of deferred maintenance. Finally, much is inadequate to meet the needs of the growth areas of this country.

Meanwhile, unemployment in October reached a level of 10.4 percent with almost 11.6 million of our citizens looking for work.

Many believe that a solution for one of these problems could automatically help address the other. Increased funding for infrastructure projects could provide additional jobs that could, in turn, lower the unemployment rate.

However, today I believe that my good friend, Alice Rivlin, is here to caution us that while both of these problems warrant our serious consideration, public works programs will probably not make a significant dent in the unemployment rate. They will create jobs, and that is good. However, we cannot expect to solve the long-term unemployment problem through public works jobs, which the American people must realize.

I am particularly interested in learning in more detail, Mrs. Rivlin's assessment of the highway legislation which was just introduced on Monday; legislation which I support. The proposal before the Finance Committee calls for an increase in the gasoline, diesel and other motor fuel tax from 4 cents to 9 cents and a restructuring of the highway excise tax to try to more equitably distribute the burden among user classes.

The 5-cent tax increase on gasoline will be assessed at the refinery level and when passed onto the consumer might in real terms mean less than a 5-cent increase at the pump. Given the world-wide glut of oil, this is a possibility. In any event, the Administration estimates the increased tax will raise the cost to the average driver by about $30 per year. Because of the present intricacies of pricing, I would hope that CBO would look into this matter closely to provide the Congress with the most accurate estimate of what the additional cost will be to the consumer.

The proposal continues financing of the Highway Trust Fund through a "user fee system"; a system that this Senator believes is most appropriate. Based on a highway cost allocation study prepared by DOT, the excise tax has been restructured to make sure that those vehicles causing the most damage to the road system pay their fair share. Furthermore, the proposal continues the present law exemptions for nonhighway use in farming to ensure that this is truly a "users fee" and our nation's farmers are not unfairly assessed.

Finally, the proposal will provide additional employment in the hard-hit construction industry. Estimates of the employment effect vary, but it is clear that a good number of jobs will be created by this proposal.

There is no question that there is a tremendous need for more funds to be committed to our rapidly deteriorating highway system. It is estimated that:

About 23 percent of our bridges are structurally deficient and another 22 percent are functionally obsolete;

About 41 percent of our interstate is reaching the end of its planned life; and

Over 50 percent of the primary, secondary and urban roads are in only fair condition.

These needs are well in excess of our current level of spending. The longer we wait to address the problem, the more expensive it will become in future years to rectify the problem. The Federal gas tax has not risen for over 20 years. In addition, the States have been most unsuccessful in raising their gas taxes. Therefore, it seems like an opportune time to be considering this legislation.

As we move forward in the next two weeks, I do hope that Mrs. Rivlin will work closely with us to determine the overall effect of this proposed legislation. Furthermore, in the next session, I hope CBO will be able to continue to provide us guidance as we explore all of our infrastructure needs.

Finally, I look forward to working with CBO to examine all possible ways to address the serious, serious problem of unemployment. Mrs. Rivlin makes an important statement in her written comments for today—"A substantial reduction in unemployment will come only from broad-based economic growth." This Senator has repeatedly said that as long as interest rates are high, we are not going to see the economic recovery this nation so desperately needs; a recovery which will in turn begin to drive down the unemployment rate.

Mr. Chairman, I look forward to today's hearing and commend you for scheduling it.

Senator STAFFORD. Senator Mitchell?

Senator MITCHELL. No, thank you, Mr. Chairman.

Senator STAFFORD. Senator Abdnor?

Senator ABDNOR. Thank you, Mr. Chairman, I have no statement at this time.

Senator STAFFORD. That being the case, somewhat informally the Chair recommends we try to operate on a 5-minute, or at least a 10-minute rule for questions so that everybody has a chance to ask some.

Now that there are other members present, the Chair might just note that we have received no requests in the committee for a hearing up to the present time on the highway bill. It would be the Chair's intent, if there is no objection, Senator Randolph and I have discussed this, to schedule markup on the bills that are before us, the administration bill and the so-called Stafford-Randolph bill for next Tuesday and Wednesday in order to expedite the bill to the floor.

I don't think we can wait any longer than that. The Chair would also add that if a serious request for hearing does occur, the Chair would try to get permission, if Senator Randolph concurs, to hold a hearing either tomorrow afternoon or Friday afternoon or Monday afternoon, when members are present, and available. We can get a hearing in, or even 2 days of hearings if that becomes essential.

Is there any objection to that procedure?

Senator RANDOLPH. Mr. Chairman, I think that all members would want us to proceed as quickly as possible, understanding, of course, the subject matter and knowing of the rather supportive attitude of Congress in both bodies.

I commend you for moving ahead. I am sure that all of us will work with you.

Senator STAFFORD. Thank you very much, Senator.

The chair pointed out earlier that we do have a brief analysis of both bills showing the many similarities and some differences. We are having that distributed to members right now, so that it will be available for your inspection.

[The analysis referred to follows:]

	ADMINISTRATION BILL	STAFFORD BILL
Length of Authorizations	FY 1983-FY 1988	FY 1983-FY 1987
Total Authorizations	Almost identical through 1987, Stafford bill has slightly more in the last two years, Administration also includes money for NHSTA programs and authorizations for FY 1988	
Interstate Construction	Eliminates 1/2 percent minimum $300 million set aside for high cost projects	Retains 1/2% minimum No provision
Interstate 4R	Retain current 55 lane miles/ 45 VMT formula	60 lane miles/40 VMT formula
Interstate Transfer	Funds highway transfers from HTF Ends inflation escalation Provides a formula for allocation	Identical Ends inflation escalation No formula allocation
Bridge Program	Changes in bridge formula Based on state-by-state costs	Changes in bridge formula Based on national average cost
Primary	Eliminate Priority Primary	Eliminate Priority Primary Restore 1/2% to D.C.
Urban	No significant changes	Calls it an urban program rather than system
Secondary	No significant changes	Calls it a rural program rather than system
Safety	Consolidate small categories into one safety program	Consolidate small categories into one safety program
Program Consolidation	Both bills consolidate a number of small categories into the major categories	
Truck Size & Weight	Mandates 80,000 lbs. gross weight, 102 in. width, and doubles	No provision
Environmental Changes	Changes in 4(f) relating to historic sites, speed up NEPA review process, one Clean Air provision	No changes to environmental requirements. Provision asking agencies to coordinate the review as much as possible for those project with no controversy.

	ADMINISTRATION BILL	STAFFORD BILL
Appalachian Highways	Provides authorization out of the HTF	No authorization
Toll Roads	Allows construction of new toll roads using Federal/State/local funds	No provision
Targeting of Funds	The Administration bill provides more for Interstate construction than the Stafford bill. The Stafford bill provides more funds for bridges and slightly more for rural. Interstate 4R total is almost identical. The Stafford bill requires that 60 percent of Primary, Urban, and Rural funds be spent on repair and rehabilitation projects, the Administration does not.	

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ENVIRONMENT AND PUBLIC WORKS COMMITTEE
FEDERAL-AID HIGHWAYS PROGRAMS LEVELS
(In billions of dollars)

Category	FY '83	FY '84	FY '85	FY '86	FY '87
Interstate Construction	3.625	3.8	3.8	4.0	4.0
Interstate Resurfacing/ Rehabilitation (4R)	1.8	2.4	2.8	3.2	3.4
Primary	1.7	2.1	2.4	2.4	2.6
Bridge	1.7	1.7	1.8	2.0	2.0
Rural	.7	.7	.7	.7	.7
Urban	.8	.8	.8	.8	.8
Safety	.4	.4	.4	.4	.4
Interstate Transfer	.5	.6	.6	.65	.65
Forest Highways	.05	.05	.05	.05	.05
Public Lands	.05	.05	.05	.05	.05
Emergency Relief	.10	.10	.10	.10	.10
Indian Res. Roads	.083	.083	.083	.083	.083
TOTAL	11.508	12.783	13.583	14.433	14.833
Obligational Limitations	(12.00)	(12.80)	(13.60)	(14.50)	(14.90)

NOTE: Interstate construction and Interstate 4R funds are apportioned one year in advance of year authorized.

ADMINISTRATION BILL

FEDERAL-AID HIGHWAY REAUTHORIZATION ACT OF 1982
(In billions of dollars)

Federal-aid	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988
Interstate Construction 1/	3.80625	4.000	4.500	4.500	4.500	4.000
Interstate 4R 1/	2.11250 6/	2.550	2.800	3.000	3.300	3.900
Primary	1.87500	2.000	2.100	2.300	2.600	2.600
Bridge*	1.35750	1.510	1.510	1.510	1.510	1.510
Secondary	.40000	.400	.400	.400	.400	.400
Urban	.80000	.800	.800	.800	.800	.800
Emergency Relief	.10000	.100	.100	.100	.100	.100
Safety Construction	.39000	.390	.390	.390	.390	.390
Forest Highways	.06450	.075	.075	.075	.075	.075
Public Lands Highways	.02275	.025	.025	.025	.025	.025
Economic Growth Center	.01100	-----	-----	-----	-----	-----
Great River Road	.00500	-----	-----	-----	-----	-----
Parkways and Park Highways	.07500	.100	.100	.100	.100	.100
Indian Reservation Highways	.07500	.100	.100	.100	.100	.100
By-Pass Highway Demo	.05500	------	------	------	------	------
Subtotal, Federal-aid	11.14950	12.050	12.900	13.300	13.900	14.000
Other Programs						
Interstate Substitutions (hwy.)	(.51800) 2/	.650	.650	.650	.650	.650
Appalachia	-----	.080	.080	.060	-----	-----
Highway Safety R&D	.01300 3/	.013 3/	.013	.013	.013	.013
NHTSA (403)	.03100 3/	.031 3/	.031	.031	.031	.031
FHWA (402)	.01000 3/	(.010) 5/	-----	-----	-----	-----
NHTSA (402)	.10000 3/	.100 3/	.100	.100	.100	.100
NHTSA (408)	.02500 4/	.050 4/	.050 4/	-----	-----	----
Motor Carrier Safety Assistance Program	-----	.010	.020	.030	.040	.050
School Bus Driver	.00150 3/	-----	-----	-----	------	-----
Subtotal, Other Programs	.18050	.934	.944	.884	.834	.844
Grand Total	11.33000	12.984	13.844	14.184	14.734	14.844

1/ Year available (apportioned year in advance); authorization year is year shown plus one.
2/ This amount is an appropriation, not an authorization, and is not included in the totals.
3/ Provided by OBRA 1981.
4/ Provided by NHTSA Act 1982.
5/ To be rescinded and thus not included in total.
6/ $11 million earmarked for Woodrow Wilson Bridge.

*Of the total amount authorized for bridges each year, $300 million is available for obligation by the Secretary for high cost bridges, $510 million will be distributed by formula for non-primary bridges, and the remainder will be distributed by formula for primary bridges.

COMPARISON OF ESTIMATED STATE PAYMENTS INTO THE HIGHWAY TRUST FUND, AND FEDERAL-AID APPORTIONMENTS FROM THE FUND

FISCAL YEARS 1957 - 1981

(IN THOUSANDS OF DOLLARS)

TABLE FE-221
MAY 1982

STATE	PAYMENTS INTO THE FUND 1/		APPORTIONMENTS FROM THE FUND 2/		RATIO - APPORTIONMENTS/PAYMENTS	
	FISCAL YEAR 1981	CUMULATED SINCE 7-1-56	FISCAL YEAR 1981	CUMULATED SINCE 7-1-56	FISCAL YEAR 1981	CUMULATED SINCE 7-1-56
	(1)	(2)	(3)	(4)	(5)	(6)
ALABAMA	119,689	2,152,844	155,223	2,464,778	1.30	1.14
ALASKA	12,110	163,959	126,159	1,552,350	10.42	9.47
ARIZONA	85,305	1,302,113	111,556	1,834,592	1.31	1.41
ARKANSAS	77,961	1,406,984	96,358	1,415,648	1.24	1.01
CALIFORNIA	637,102	11,707,714	649,619	9,320,112	1.02	0.80
COLORADO	89,231	1,497,562	116,551	1,823,809	1.31	1.22
CONNECTICUT	69,572	1,446,784	136,559	1,815,513	1.97	1.25
DELAWARE	18,111	342,046	37,550	502,361	2.08	1.47
DIST. OF COL.	8,802	278,754	64,638	950,514	7.37	3.41
FLORIDA	284,991	4,310,869	404,346	3,671,805	1.42	0.85
GEORGIA	174,682	3,076,851	414,134	3,043,147	2.37	0.99
HAWAII	17,499	293,270	90,714	939,589	5.18	3.20
IDAHO	30,082	564,843	59,665	885,409	1.98	1.57
ILLINOIS	273,476	5,594,864	306,126	5,945,046	1.12	1.06
INDIANA	167,689	3,312,534	146,453	2,678,250	0.87	0.81
IOWA	92,762	1,685,137	158,533	1,909,533	1.71	1.01
KANSAS	82,157	1,591,109	149,685	1,715,212	1.82	1.08
KENTUCKY	106,650	1,922,315	184,164	2,286,474	1.73	1.19
LOUISIANA	136,567	2,102,551	240,660	2,984,773	1.75	1.42
MAINE	31,295	616,913	52,585	703,220	1.69	1.14
MARYLAND	108,310	1,957,148	246,758	2,784,127	2.28	1.42
MASSACHUSETTS	122,479	2,522,183	182,270	2,495,144	1.48	0.99
MICHIGAN	238,747	5,029,892	240,165	4,192,747	1.01	0.83
MINNESOTA	118,232	2,290,049	187,220	2,780,922	1.58	1.22
MISSISSIPPI	74,241	1,398,559	90,510	1,416,359	1.22	1.01
MISSOURI	151,776	3,040,228	193,472	3,022,766	1.27	0.99
MONTANA	31,733	583,133	79,778	1,561,530	2.51	2.68
NEBRASKA	52,272	1,068,647	75,325	1,100,322	1.52	1.03
NEVADA	30,591	445,235	78,638	909,339	2.58	2.04
NEW HAMPSHIRE	24,583	439,438	46,171	631,274	1.88	1.44
NEW JERSEY	175,508	3,542,773	200,312	2,905,532	1.14	0.82
NEW MEXICO	51,370	864,633	113,783	1,360,215	2.21	1.57
NEW YORK	292,604	6,442,790	520,939	6,730,883	1.78	1.04
NORTH CAROLINA	175,844	3,179,645	192,975	2,356,871	1.10	0.74
NORTH DAKOTA	24,644	438,083	61,113	831,257	2.48	1.90
OHIO	289,989	5,835,262	257,012	5,196,989	0.89	0.89
OKLAHOMA	115,206	1,969,025	96,825	1,464,515	0.84	0.74
OREGON	86,732	1,512,771	132,479	2,114,039	1.53	1.40
PENNSYLVANIA	282,554	5,703,009	437,945	5,823,540	1.55	1.02
RHODE ISLAND	19,840	417,284	67,795	658,500	3.42	1.58
SOUTH CAROLINA	92,068	1,599,708	126,081	1,355,408	1.37	0.85
SOUTH DAKOTA	24,195	491,560	58,262	927,051	2.41	1.89
TENNESSEE	144,489	2,496,532	194,675	2,674,286	1.34	1.07
TEXAS	532,415	9,479,318	442,987	6,452,845	0.83	0.76
UTAH	44,059	732,424	105,667	1,454,426	2.40	1.99
VERMONT	14,231	275,555	47,013	685,129	3.30	2.49
VIRGINIA	148,417	2,721,173	242,662	3,653,099	1.64	1.34
WASHINGTON	115,224	2,015,814	287,062	2,933,886	2.49	1.46
WEST VIRGINIA	53,780	985,566	130,452	2,402,380	2.43	2.44
WISCONSIN	124,109	2,387,257	138,415	1,900,488	1.12	0.80
WYOMING	27,550	397,753	64,452	972,732	2.34	2.45
TOTAL	6,304,926	116,842,466	9,046,454	124,200,138	-	-
PUERTO RICO	-	-	24,516	368,609	-	-
GRAND TOTAL	6,304,926	116,842,466	9,080,921	124,568,747	1.44	1.07

1/ FISCAL YEAR PAYMENTS INTO THE FUND ARE BASED ON RECEIPTS AS REPORTED BY THE U.S. DEPARTMENT OF THE TREASURY. INCLUDES REVENUES FROM HIGHWAY-USER TAXES ONLY.

2/ INCLUDES ALLOCATIONS FOR URBAN HIGH DENSITY, OVERSEAS HIGHWAY, PRIORITY PRIMARY, BRIDGE AND INTERSTATE DISCRETIONARY, INTERSTATE WITHDRAWALS, ACCELERATION OF PROJECTS AND REAPPORTIONMENT OF LAPSED INTERSTATE FUNDS. EXCLUDES FUNDS FOR EMERGENCY RELIEF, PUBLIC LANDS HIGHWAYS, GREAT RIVER ROAD, BRIDGES OVER FEDERAL DAMS, RURAL HIGHWAY PUBLIC TRANSPORTATION DEMONSTRATION PROGRAM, RAIL/HIGHWAY DEMONSTRATION, AND TRAFFIC CONTROL SIGNALIZATION DEMONSTRATION PROJECTS.

Senator DOMENICI. Mr. Chairman.

Senator STAFFORD. Senator Domenici?

Senator DOMENICI. I didn't hear your proposed sequence in terms of markup date on the programmatic highway bill.

Senator STAFFORD. Our proposal would be, I said after consulting with Senator Randolph this morning, that we schedule the actual markup for next Tuesday and Wednesday, those being the earliest 2 days which I think we can assure ourselves adequate members will be present. It would be my intention also, if the committee agrees, to schedule a hearing prior to that time if requests for hearings do occur, none having occurred up to the present time.

Finally, the committee is scheduled for an RCRA markup in full committee on Tuesday, but the Chair had hoped there would be no objection to our putting that over to Thursday, because we need to get this highway legislation out as promptly as possible.

Senator DOMENICI. The only question I have, Mr. Chairman, is that the information with reference to the present flow of money to the respective States under existing law and a comparison of moneys that would go to the prospective States under the two new proposals, coupled with the yields in the States, I think that has always been urgent for this committee. We must have that or we cannot get unanimity. I assume the Chair is getting that from transportation experts and it will be available by your proposed markup time.

Senator STAFFORD. We would propose to have it available at that time.

Senator DOMENICI. Thank you, Mr. Chairman.

Senator CHAFEE. Mr. Chairman.

Senator STAFFORD. Senator Chafee?

Senator CHAFEE. You mentioned that if we wanted a hearing, it could be, I believe you said on Thursday or Friday or Monday afternoons. Is there something occurring in the mornings that would prohibit a hearing in the morning?

Senator STAFFORD. We could schedule one but the Chair would remind my good friend from Rhode Island that we will be organizing on our side of the aisle both Thursday and Friday in conference and caucus, and I think our friends on the other side of the aisle are going to be doing the same thing the first part of next week, if I am correct.

Senator MITCHELL. This Thursday morning?

Senator CHAFEE. So there would be a possibility, if somebody wanted a hearing, to have it Monday morning.

Senator STAFFORD. Yes. The Chair would not rule out any available time to do it if we have a request.

Senator CHAFEE. I know that is a favorite time of Senator Mitchell's. I hope we have the benefit of his advice.

Senator STAFFORD. He is under less pressure now than he was. Are there any further observations? If not, the Chair would start.

Mrs. Rivlin, as I understand what you are saying, it is that the Nation should undertake a major infrastructure program for its own sake, not any illusion that we can use it to solve our short-term unemployment problems. Is that a fair statement?

Mrs. RIVLIN. That is correct. I am not saying infrastructure doesn't contribute, that it doesn't create jobs. It does. But the reason for fixing

the roads is that we need to fix the roads; this should be kept in perspective.

There are nearly 12 million people unemployed, and even a major increase in highway spending—for example, the one proposed by the administration—would create jobs perhaps of the order of 300,000 people. But such a program would also be financed by user fees and would take something out of the private spending stream. People who would otherwise have spent less for gasoline would be spending more for it, and therefore, they would spend less on other things. Thus, the employment effect of a user-fee financed increase in infrastructure is probably not very great.

Senator STAFFORD. To sum it up, the user fee means we don't adversely affect our budget——

Mrs. RIVLIN. That is right.

Senator STAFFORD. 300,000 or 320,000 people is not a large number, compared to all those unemployed; it, nonetheless, is a significant number of unemployment. Finally, the highways are beginning to go to pot in our entire system so that fixing them up is something we need to do in any event if we are to preserve the highway system this country has created. Am I correct in that?

Mrs. RIVLIN. Yes, I think that is the point.

Senator STAFFORD. Would you agree that over the long term, infrastructure improvements offer significant efficiencies and must provide jobs and economic growth.

Mrs. RIVLIN. Yes, in the long run, I think it can clearly be argued that if we have a better transportation system, we will have a more efficient economy. It is costly to have a deteriorating system.

Senator STAFFORD. Over and above the work that is already budgeted for fiscal year 1983, do you have any estimates of how much additional work is designed and ready to go if additional money becomes available?

Mrs. RIVLIN. No, Mr. Chairman. We can look into that for the record, although I think this committee has good access to that kind of information.

Senator STAFFORD. Would you have any observation this morning on how much additional infrastructure spending can be absorbed over the short term, over the next 2 years, without any significant inflationary impact on construction costs?

Mrs. RIVLIN. That would be a difficult question to answer, but at the moment, the construction industry is operating very far below its capacity. The unemployment rate for construction workers is about 23 percent.

Senator STAFFORD. What was that percent again?

Mrs. RIVLIN. Twenty-three percent among construction workers, as opposed to over 10 percent for workers in general. That, of course, does not mean just infrastructure. It reflects the disaster in the housing industry and in building generally. But I think there is so much excess capacity in construction that one should not worry about inflationary pressure on the construction industry by increasing infrastructure at any reasonable rate.

Senator STAFFORD. Thank you very much.

Assuming a substantial increase in highway expenditures can be authorized, how soon after approval of new contract authority would

significant increases in hiring occur? I suppose that would depend on what sort of expenditures we are talking about.

Mrs. RIVLIN. Exactly. If you are talking about fairly minor repairs, then with any reasonable luck that can be got going quickly. If you are talking about major construction, where there is design necessary, then that takes much longer.

Senator STAFFORD. The chair, coming from a northern New England State, it occurred to us, like Maine, some highway improvement projects might have difficulty occurring in the winter because of our severe climates and the fact resurfacing and that sort of repair really cannot occur until next spring.

We may have to take that into some consideration in thinking about how we proceed there.

Senator STAFFORD. Senator Randolph?

Senator RANDOLPH. Thank you very much.

Dr. Rivlin, how long have you been in your present position?

Mrs. RIVLIN. Almost 8 years.

Senator RANDOLPH. This is not just a cursory comment that I make, but I think you have done a very, very fine job. There has been some talk that you are leaving a little sooner than many of us on Capitol Hill had expected. Can you tell us how long you are going to stay with us?

Mrs. RIVLIN. I appreciate your kind words, Senator. I am leaving sometime in the spring, as soon as the Congress in its wisdom can get itself together to find a successor. I don't know how long that will take, but I did tell both Senator Domenici and Chairman Jones of the House Budget Committee that I would see them through the first budget resolution is necessary, but then I am going on to another job.

Senator RANDOLPH. Thank you very much.

I ask this very pertinent question of you, Dr. Rivlin. How many indirect jobs are created for each billion dollars of heavy construction provided at the Federal level?

Mrs. RIVLIN. How many indirect jobs?

Senator RANDOLPH. Yes.

Mrs. RIVLIN. You are aware that there are both direct jobs and indirect jobs. The most recent estimate from the administration is that the direct jobs created in construction and supplying industries would be on the order of 32,000 per $1 billion spent. The indirect jobs effect is estimated to be somewhat lower.

Senator CHAFEE. Excuse me, could you repeat those figures, please, Mrs. Rivlin?

Mrs. RIVLIN. Secretary Lewis' estimate is that the $5.5 billion in public works spending would create about 320,000 jobs. Slightly more than half of these—170,000—would be direct construction jobs and on industries that supply construction projects. The remaining 150,000 would be the secondary kind of jobs created by the spending of the people who are newly employed on the project.

Senator RANDOLPH. We do know that the indirect commitment of employment is very considerable, as you have indicated, although it is not the high figure that we would want to talk about generally in job programing.

In West Virginia, our steel industry, Dr. Rivlin, is in a distressed condition.

Mrs. RIVLIN. Yes, it certainly is.

Senator RANDOLPH. There would be added employment in the steel mills throughout the country also. We did not mention the asphalt and cement industries for example. I can envisage that there might be 75,000 jobs that would be created within the steel plants of our country.

Would you suggest that perhaps I am right or wrong in that estimate?

Mrs. RIVLIN. I don't know the exact numbers, but there would certainly be jobs created in the steel industry in response to a major construction program—a bridge construction program, for example.

The tradeoff that one has to worry about is that, while there are more jobs created in supplying industries by construction over repair, there are more direct jobs created by emphasizing repair over construction. Repair requires fewer goods from supplying industries like steel.

Senator RANDOLPH. Mr. Chairman, Dr. Rivlin has mentioned the bridges for a moment.

With your indulgence for just 60 seconds, I would like to say that last February, we were giving attention through the hearing process to the need to rebuild and repair the locks and dams on the inland waterways.

I, particularly, am familiar with the Ohio River and the Monongahela River. At that time we were discussing the layoffs that were taking place, and I suggested that in those layoffs we could not just separate a person from the job, but we had to be very realistic and not separate those persons who know how to operate the locks that are not functioning today in the way that they must to handle the traffic on the inland waterways, particularly in the Monongahela River. So I think we have to be very careful that during this period when we may not have the money to actually rebuild our locks and dams on the inland waterways, that we must keep those people on the job who know and can operate those locks effectively.

Would you comment?

Mrs. RIVLIN. I don't have any personal knowledge of that situation. It certainly seems important.

Senator RANDOLPH. Do you know the Ohio River?

Mrs. RIVLIN. Yes, I do.

Senator RANDOLPH. I believe, of course, in the use of inland waterways for the transportation of the products from the fields and the mines, and I think we must in a discussion of highways and certainly bridges, remember that there is this body of public works which has a very direct transportation concept that we must not overlook.

I am going to ask, Mr. Chairman, with your understanding, that I have been given questions by Senator Hart that we would like Dr. Rivlin to answer as a part of the printed record.

Senator STAFFORD. Without objection, Senator, we would reserve the right of all Senators who cannot be here and those who are here, if they wish, to submit questions in writing for Dr. Rivlin for her response at her earliest convenience.

Mrs. RIVLIN. We would be happy to, Mr. Chairman, and I think I can also amplify on my answer to Senator Randolph's question about employment effects for the record.

Senator STAFFORD. All right.

Senator RANDOLPH. Thank you, Mr. Chairman.

Senator STAFFORD. Senator Chafee?

Senator CHAFEE. Thank you, Mr. Chairman.

Mrs. Rivlin, one of the problems that seems to me is involved here is that in order to have this program move forward, there has to be a contribution from the local communities or the State of matching funds.

There is no question but what the States are going to have trouble coming up with their share. We had testimony yesterday in the Finance Committee from Secretary Lewis indicating that all but about 13 Statees seem to have a way of coming up with these funds.

I don't know how he obtained those figures. I guess he indicated he talked to the chairman of the Governors Association.

Do you see any problems in the States having to make a priority decision that here this money comes for the roads, which is 90–10, 85–15, 80–20, and so forth, which is very tempting money, thus, the communities are going to use their limited resources to obtain this money and, thus, not use the moneys for matching, for instance, construction grants and the sewers. something like that, or maybe for a new building at the university, whatever it might be.

Mrs. RIVLIN. I think there is that problem in offering the States such a favorable match on highways; the Federal Government is saying, "We want to make it almost irresistable to you to buiid highways rather than to do something else with your money for which you have to pay the full cost yourself." That is clearly the effect of it, and it might well distort local spending from what would otherwise have been local priority. It would, however, get a national road system built.

Senator CHAFEE. And thus might divert employment from other areas, other than the increased gasoline tax would have the effect you suggested. If you are not going to build a sewer, then you are not going to employ the people in the sewer construction project and instead you are going to have those people on the roads.

It seems to me there are some wrenching effect here that perhaps we don't fully understand.

Would you agree with that?

Mrs. RIVLIN. There could be, except in the present state of difficulty in many State and local government budgets, the alternative to accepting the Federal Government's offer of a matching grant may well be not to do anything at all. It is very hard to say at this point.

Senator CHAFEE. From your testimony, I gather that, one. what we are going to do for employment is very modeest in the total picture. Two—if you disagree with any of these points, let me know—two, we are not going to do anything for the so-called structurally unemployed.

What we are going to do is help the skilled worker who is traditionally employed in these types of projects.

Three, that this point is going to be reinforced by the fact that the Davis-Bacon is going to be employed in all these projects, there is no questions about that.

Mrs. RIVLIN. I would agree with most of that except that, if you do emphasize repair projects. then the skilled laborer component is less.

Senator CHAFEE. But if you have a Davis-Bacon element in here,

which no one is suggesting not be here, then I just don't see that you are going to have increased, unskilled labor.

We all watched them repair roads and even that is done with rather sophisticated equipment.

Do you really think they are going to reach out and get any structural—I don't want to use the word "any"—but significant numbers of truly unemployed, structurally unemployed.

Mrs. RIVLIN. As I said in my statement, I think that the need for infrastructure investments should be considered largely on its merits, and one should not have illusions that this will solve a large part of the unemployment problem in general and certainly of the structural unemployment problem.

I agree with the thrust of what you are saying. It is not totally trival, and if one does create some net employment, then that expands to other industries.

Senator CHAFEE. And then furthermore, you point out in your testimony that it is going to take time to get to these, you cannot be prepared to repair a section of the Interstate Highway System without some planning in advance.

It isn't a question of loading a truck up with some asphalt and going out there and dumping it in a pothole.

Significant leadtime is required. Not as much as building a road but there has to be some design and engineering done, does there not?

Mrs. RIVLIN. That is right. The kind of repairs that are undertaken—that is, financed by the Federal Government—are the more major ones. They are not just filling potholes. On the other hand, the Federal highway system is an existing thing. You are not creating a whole new program. They are repairing roads now. You are stepping up the system.

Senator CHAFEE. Finally, I would like to ask you, do you see the advent of the increase of this tax having any wrenching effects on the economy that the rest of us perhaps haven't foreseen causing changes, causing a movement toward rail transportation or barge transportation or affecting some industry, the tire retreading industry, does it have locations or dislocations, I should say, that we are not aware of?

Mrs. RIVLIN. I don't think so. The 4-cent gasoline tax is a lot less than it used to be relative to the price of gasoline. With gasoline at $1.30 a gallon, the new tax is not a very large percentage increase. It is hard to imagine that it can have a major wrenching dislocating effect.

Those words are not appropriate, I think, to a small tax increase, especially in a time when the price of gasoline is not increasing. We might have been more worried about it at a time when it was added on to a rapid inflation in the price of gasoline.

Senator CHAFEE. Thank you.

Senator STAFFORD. Senator Domenici?

Senator DOMENICI. Thank you, very much, Mr. Chairman.

I am intrigued, Dr. Rivlin, by your estimating that the 5-cent add-on is going to have some negative effect in terms of employment. It almost offsets the positive. I take it, however, it isn't all that easy to put people to work. If the price of gasoline dropped 5 cents on its own, we wouldn't put 300,000 people to work, would we?

Mrs. RIVLIN. No, but people would then have money to spend on things other than gasoline.

Senator DOMENICI. But the reverse, you seem to say if they don't have it——

Mrs. RIVLIN. Yes, I suppose if you worked that through—if you took the current gas tax off just by itself—you would release some spending power for other goods and services. But it would probably work in reverse just as it works on the upside.

Senator DOMENICI. You are almost a supply sider. If we took all the tax off, we would have everybody working.

Let me tell you why I wonder about this 5 cents and this negative effect.

I was just looking at some numbers. Before the oil embargo, crude oil was $3.65, $3.95 a barrel. That was an 800 percent increase in the raw product.

Is there any difference in that increase, and its detrimental effect on employment, and a tax?

Mrs. RIVLIN. No, that increase was widely regarded as equivalent to a tax paid to foreign producers of oil.

Senator DOMENICI. So that had an enormous impact on employment when oil prices went from $3.95 to $33.

Mrs. RIVLIN. It certainly did. That's one reason why we had a lot of trouble with the economy in that period.

Senator DOMENICI. If I understand this base tax, it is different than the last one because the base tax is going to be on the refiner other than for diesel, I understand, because that has a great deal of nonhighway use. That will apparently be put on at the end use so the farmers and ranchers who don't use it for highway purposes won't be paying a tax. Those who use trucks will.

Why are you so sure that 5 cents at the refinery will automatically in the next 2 years have gasoline go up 5 cents.

Mrs. RIVLIN. I am not so sure. It might well be that if there is an oil glut—and there seems to be some chance for one—that the refiners would absorb part of it, and it wouldn't all be passed on to the consumer. It depends in large part on how quickly the economy revives and on how easy it is to sell oil in the marketplace.

Senator DOMENICI. In any event, even from the standpoint of detrimental effect, would you not agree it seems this is a rather advantageous time to put this kind of user imposition on in terms of the oil situation in Mexico, the United States, the OPEC cartel, Kuwait, all evidence is they have got to produce more, much more and they have no real cartel left.

Mrs. RIVLIN. Yes, absolutely, and those of us who were concerned about the inflationary effect of an additional tax on gasoline or oil a few years ago should be much less concerned now.

Senator STAFFORD. Would the Senator yield for an observation?

Senator DOMENICI. I will be pleased.

Senator STAFFORD. It is the Chair's impression that there has been a decline of several cents per gallon in the price of gasoline over the last few months, probably around 5 cents a gallon which would just about offset the user fee at 5 cents per gallon.

Senator DOMENICI. In fact, when I said she sounded like a pure supply sider, I was just joking, but in any event, I was going to say

if you follow that logic, we should have more people to work already because gasoline prices have come down 5 cents or more in the past year, but I understand that you have to be concerned about the negative effect of a tax.

Mrs. RIVLIN. I am very much a supply sider, but let's be sure of what we are talking about here. We probably do have more people at work than we would have if gas prices had not fallen.

Senator DOMENICI. Exactly.

Let me just ask this further question: You indicated that this will not have a significant impact on those who are out of work and are going to have to find another kind of employment like perhaps steelworkers, auto workers, heavy industry, maybe we will never put them all back to work.

. You quite properly, in your statement, say the best way to do all of these things is for us to have general growth in the economy, but from the standpoint of spending some money to do that, has CBO looked at other options that might have a higher cost-benefit ratio in terms of putting people to work than this.

I favor this program; I am for it, subject to the forum being fair and equitable, but I wonder if there are other ways that you get more for your dollar that you all are aware of.

Mrs. RIVLIN. It depends on what you mean by "more for the dollar."

Senator DOMENICI. More employment?

Mrs. RIVLIN. You can get more jobs for the dollar by lowering the skill level of whatever it is you are doing, at least in the first round. So in a list of things you might do, construction—especially heavy construction—that takes a high degree of skill does not ordinarily rank very high on a jobs created per dollar scale. But there is the other cost to benefit ratio that you have to remember, namely what is the social and economic value of what the employment creates—how important it is to have the road built or road repaired. That, it seems to me, is what the Congress ought to focus on.

Senator DOMENICI. One last question.

Are you familiar with New Jersey's approach to an infrastructure bank which permits the local community to pay back over the long haul, imposing whatever kinds of user taxes they want in the long haul and paying back?

Mrs. RIVLIN. They borrow from the State and pay back to the user bank. I am familiar with the idea.

Senator DOMENICI. You mentioned that as an idea in your remarks and you waived around the possibility of local communities being strapped and also of the negative effect of the increased taxes.

Mrs. RIVLIN. Yes, if your objectives is first to get the job done quickly and create the employment soon. But if the local community doesn't have the wherewithal to do that, there certainly would be the possibility of the Federal Government or the State lending the money to be paid back later out of user charges.

What that would mean was that, from the point of view of local employment, you get the employment now. But then later, as the user charges were collected, you would have the same effect we were talking about: that people would have less to pay for other things, and the employment might decline in the community by some small amount.

Senator DOMENICI. Thank you, very much, Mr. Chairman.

Senator MITCHELL [presiding]. Dr. Rivlin, I would like to follow up, if I could, a line of questioning persued by Senator Domenici regarding the increase and decrease in employment.

Secretary Lewis testified before the Finance Committee yesterday and I questioned him at length on that and I would say at the outset that your testimony is at some variance with his regarding the net effect.

As I understand your testimony, it is that there would be the increase described, 170,000 direct, 150,000 indirect, but that that would be offset by a decrease of approximately a similar amount.

Secretary Lewis' testimony was that there would be a decrease but we don't know what it would be but it will be very small so there will be a significant net increase.

I think I have accurately summarized his testimony.

Rather than get into the question of the number of jobs, because it is obvious nobody can be certain about this, I would like to ask you whether there is any way of identifying the sectors in which the offsetting decreases will occur? And I ask that question for this reason: All this bill and all of the proposals being discussed have as their objective the commendable goal of reducing unemployment, putting people back to work, which many persons feel is our most urgent priority. I am concerned that they all lack one element and that is any concern for unemployment among women.

Every jobs creating proposal that has been even discussed appears to concentrate its job-creating effect in industries that are almost entirely limited to male employees as clearly would be the case if we are talking here about whether it is repairing highways or building new highways, the same with bridges, and none of the plans, Democrats or Republicans as I know, address themselves to the urgent problem of high unemployment among women, especially among women who are heads of households.

I am asking you if there is any way you can tell whether a program like this would actually exacerbate that situation if the decline in employment, the offsetting decrease, were to occur in any areas that are predominantly female employed, if there is any way of knowing that, and, second, if there is something we can do to address this?

Is there some area where we can get a jobs bill that will employ some women?

Mrs. RIVLIN. On the first question, the kind of offsetting decline in employment that I am envisioning from the imposition of the gas tax is very general. Everybody buys gasoline, and if it is a little bit more expensive then, at the margin, they are not buying something else. It is a very general situation.

There is no way to identify the effect except to say it would be a small decrease in consumer spending generally. It is the same kind of effect that you are talking about if you are arguing whether we should move forward the July tax cut or move it back. It is a general increase or decrease in people's spending power.

Senator DOMENICI. Let me interrupt you there to say, does not that answer make it a fair statement to conclude, first, that since the increase is highly specific and in a wholly male-dominated sector of the economy and since the decrease is generalized, that it presumably spread throughout the economy, that the net effect upon employment of females is negative.

Mrs. RIVLIN. Well, the net effect of moving employment from the rest of the economy to construction is certainly negative for females, but let me make a further point. The effect of recession has been disproportionately on males. Unemployment is much higher in construction now than it was before. The increases have been disproportionate for heavy industry and for construction, and that is male's work.

So if you are looking at countering the effect of the recession rather than the effects of unemployment generally, then you would simply be addressing the difficulties which have fallen disproportionately on men.

Senator MITCHELL. That is a very valid observation.

I wanted to get into one other area that really disturbs me and is triggered by your colloquy with Senator Domenici regarding supply side and the effect of increased consumer spending.

It is possible, of course, to make a very persuasive case for this tax increase or user fee to meet this specific need. That has been done eloquently by several people, just as it was possible for those who support it to make an effective case for the tax program of 1981 and tax program of 1982 considered in isolation. But if you accept the premise that one of the contributing factors to the recession is the lack of consumer confidence and we have to reinspire the consumers in order to get the economy out of the recession, I wonder if you would comment on what I believe to be the dramatic decline in the progressive nature of the total tax burden in our society over the past 2 years? We have followed two parallel tracks in tax policy. We are cutting taxes which are related to ability to pay and at the same time we are increasing a variety of taxes, all of which are unrelated to ability to pay.

The 1981 tax program implemented in three stages calls for a very large reduction in income taxes. The 1982 tax increase—and there is a lot of dispute about whether it was the biggest increase in history.

Now we come along and we are talking about raising another tax that is unrelated to ability to pay. Are we not causing two effects, one aggravating the problem of the recession by transferring significantly the burden of taxation on our society away from those at the uprun of the scales, for those in the middle class and, therefore, affecting them in the sense of their purchasing power, willingness to spend and, second, of course, the standpoint from equity, are we not experiencing that now and will not be passing this tax, even though an independent case can be made for it on the merits continuance down that path?

Mrs. RIVLIN. You are certainly right. On balance, the tax changes for the last 2 years have benefited higher income people more and have at the same time increased the reliance on the payroll tax to finance social security. If we increase the gasoline tax, which is basically a regressive tax, we will have increased burdens at the lower end of the scale. Clearly, there are lots of other considerations that go into this, but the distributional effect of the changes over the last couple of years is clear.

Senator MITCHELL. Isn't the effect on the recession clear if we are talking about the need to get consumers spending again? We are talking about consumers, we are talking about 85 percent of the people who fall in the middle class.

Mrs. RIVLIN. I think one has to make a distinction. The recession was not caused by lowering taxes disproportionately at the top end of

the scale. The recession was caused by very tight money and very high interest rates slowing down the whole economy. There is then the question of how we move out of it.

Senator MITCHELL. That is really what I wanted to say.

Does that retard or hinder any recovery?

Mrs. RIVLIN. We have cut taxes pretty much across the board, although disproportionately at the top. I don't think that the shape of the tax system is holding back the recovery. But, clearly, as I said earlier in my testimony, if you are contemplating a policy that spends money and puts people to work, but simultaneously increases taxes, it will take money out of the private income stream. So you are likely to get off-setting effects. You are not going to do a lot, per se, to roll back the recession with this bill, but you will not worsen it either.

Senator MITCHELL. I will make one further comment on this specific proposal. It is an easy thing to say that since the gas is already so high, that 5 cents is not a great percentage increase.

The State which I represent has no mass transit, none. Almost 100 percent, very close to 100 percent of the people who work, drive to work and many of them drive very long distances.

The average income level is substantially below the national average. Five cents a gallon will have a very significant effect on many people there, irrespective of the percentage of the total cost of a gallon of gasoline, especially at a time when our State and I guess many others, are managing increases in the gasoline tax.

I want to ask one more question. You state at page 10 of your statement, the very top of page 10, that Congress could promote these projects, and that is your objective being to promote infrastructure employment by, and you mention three things: Temporarily waiving the State and local share of cost by allowing States greater flexibility in transferring funds from construction to repair accounts within the trust fund or mandating a shift to smaller projects when authorizing new funds.

Are those recommendations included within the administration's bill, to your knowledge?

Mrs. RIVLIN. Not to my knowledge. But I haven't examined the language of the bill.

Senator MITCHELL. Whether they are or not, what you are saying is if you want to use these funds to increase employment to the degree possible within the constraints of this type of program, you could do so by adopting these changes.

Thank you, Dr. Rivlin.

I believe Senator Abdnor was next.

Senator ABDNOR. Thank you, Dr. Rivlin.

Speaking of the gas tax and the effect it will have on consumers, I don't know too much about General Lumbering who is supposed to be an authority on employees, cost of petroleum and all and tries to project the future of it.

I read a news release in the paper the other day which said he was predicting this 5-cent tax would be offset by lower prices by the ends of 1983 or 1984.

Do you think there might be something to that?

Mrs. RIVLIN. I think that is possible. It is hard to predict what will happen.

Senator ABDNOR. I refer to user accounts here but I glanced at the Wall Street Journal last week and a story on the front page was talking about the very thing Senator Mitchell is referring to, consumer confidence. It suggested that many people should be spending for the needs and extra things they want but are hesitant because of the lack of confidence in the economy and concern that they might be one of those that are unemployed down the road and also the lack of confidence in social security.

I don't care how much money they have, they are not going to spend it and you are going to have a hard time moving the economy.

How do you attack that sort of a situation?

Mrs. RIVLIN. It certainly is part of the problem. It is very hard to know exactly what consumer confidence means, but it is true that consumers are in a better position. For example, they have paid off a lot of consumer debt.

You would expect people to be undertaking new purchases at a higher rate than they are. Clearly both unemployment and a lot of other uncertainties are making consumers very cautious. We expect that consumer spending will pick up over the next few months, but we have been expecting that for some time.

Senator ABDNOR. Do you think they are still holding back now that interest rates are dropping? If they are going to finance something, it is going to be paid off in a year, or try to build a house, or buy carpeting, things like that, could that be a factor?

These could be just as important as trying to create public works projects.

Mrs. RIVLIN. Yes; that certainly could be a factor. Housing starts have picked up, although it is very hard to know what housing starts mean at this season of the year. Not very many people build houses in this season. Automobile sales also have picked up very recently. But all of these uncertainties are still at work.

Senator ABDNOR. I read that article and remembered something about the 1930's and difficult times the people had then.

It was a far smaller percentage of the people working in those days than we see today with both husbands and wives working.

I think I read one time that with all the money that was poured into the public works project it still left an unemployment figure of 14½ percent in the year 1940.

Mrs. RIVLIN. That is right, it was very high.

Senator ABDNOR. I guess the point I make, I wonder sometimes if we can do more harm by pouring more dollars into public works jobs sometimes, we might do more harm than good because what we are trying to do is get the economy moving in the private sector.

Wouldn't you say you have to have a balance there, you don't dare go overboard on government spending on work projects which could do more harm to the overall long-term economy than good?

Mrs. RIVLIN. Yes, although I do think there is very strong evidence at the moment that we have been underspending for certain kinds of public infrastructure. As this committee knows full well, the bill coming due to repair the roads that we have already built is very high and if we don't do it, we will damage the economy.

Senator ABDNOR. I couldn't agree more. I was talking about an increased tax before we got to talking about it as a jobs bill. A 4-cent Federal tax was put into effect in the House session in the 1940's.

Someone testified that it would take a 16-cent tax to do the same thing. We increased the aviation tax from 8 cents to 12 cents.

Do you think that might keep up with part of the gap, that $1.5 billion you suggested would be needed for airport improvements? I think you have that in your testimony.

Mrs. RIVLIN. I think that will help, but it is not sufficient to meet all of the air system's needs.

Senator ABDNOR. I agree if we are going to do public works projects, it ought to be in that direction. I think we have to look and see what would be the best and the overall purpose of that job.

There is a study that was done way back in 1975 by the University of Wisconsin that dealt with the employment impact of the economic development public works program.

Have you ever looked at that? It pointed out EDA projects in rural areas had greater employment impacts than projects undertaken in the urban regions. The study found projects more successful in creating jobs were those located outside major cities and towns and counties which experienced rapid growth and income and population and which population is concentrated in towns of less than 25,000 people.

This seems to me if that was true, maybe we should strongly consider that in developing a public works program. I don't know. I know sometimes figures are deceiving. The State of South Dakota shows unemployment the lowest in the Nation. It doesn't take into account things like agriculture. I believe the income of a person receiving unemployment compensation is greater than the average farm income in my State.

So there are a lot of things you have got to look at when we are talking about the needs and money to speed up the economy. I know that could be a consideration when we start looking in that direction, just looking at unemployment figures doesn't always tell the whole tale.

I guess per capita income is equally important. That always bothers me. I don't know how you feel about this. Every time I read that agriculture sales are going on, the cost of the product goes up and we hear about what it is going to do to the consumer.

I am off the subject a little bit. Don't you think food costs might have to go up in order to improve the other end of the economy in the field of agriculture?

Mrs. RIVLIN. There is no question that there is a very serious problem in agriculture.

Senator ABDNOR. Consumers are going to pay more money and I am going to hear a lot of complaints from my colleagues from the cities concerned that the food bill is going to go up.

I guess we forget only one-third of the food dollar goes to the farmer. I have a concern when we are looking at trying to improve the economy. We have to look at a very broad picture here and not think of unemployment all by itself. You have some real unemployment out in the rural areas of America, people who are working everyday, they are employed but it is costing them money to go to work.

When we are talking about programs like this, I hope we give some consideration to that, too.

Thank you.

Senator STAFFORD [presiding]. Thank you, Senator.

Senator Moynihan?

Senator MOYNIHAN. Thank you, Senator. I don't want to keep our distinguished witness long. I am a victim of the disinvestment in airport facilities that you speak of, otherwise I would have been here right on time.

I would like to ask what doesn't need asking. You say here that the infrastructure problem reflects a pattern of declining real Government spending in most of these areas, and that is about agreed now, isn't it?

We have the data. We began talking about 5 years ago on this committee about getting surveys when we began to sense this might be happening.

As a matter of fact, 1977 seems to be almost a break year at which it began to go most sharply down.

That is your understanding?

Mrs. RIVLIN. That is my understanding.

Senator ABDNOR. Infrastructure, this new word for roads and sewers and rivers and harbors, it is frequently used. The subjects are mostly in this committee—if the chairman would indulge me, I would like to say more of it ought to be in this committee than it is.

Public works are public works. They ought not to be scattered by some 19th century jurisdiction and is in a committee which has no primary interest in it at all.

Would you not think it to be a useful thing for us to try, in the budgetary process, to identify what we are investing this year in infrastructure of various kinds and think in terms of somewhere, perhaps in this committee, perhaps in your office, perhaps in OMB or the Corps of Engineers, or some collective arrangement, think about what levels of investment are needed to maintain and what new areas of investment are coming on as additional costs?

Trucks traveling on bad roads cost 36 percent more than travel on a good road and farm products get to markets on roads.

We are responsible for the quality of those thaings. Does some idea of a capital program and some system short of 10-year thinking strike you as feasible and useful and in retrospect would have been a good idea if we had done it 10 years ago?

Mrs. RIVLIN. Yes. We have recently been trying to put together for this committee—and for other purposes—an inventory of infrastruture needs. It is very hard to do that. Nobody is in charge of doing that. You have different estimates from different places. If there were a continuing responsibility to look at the various parts of our infrastructure, what is happening to them, how fast are they deteriorating, I think it would be extremely useful.

Also, if it were possible to identify easily in the budget how much have we spent this year for these kinds of things, and how does it compare to some longer-range plan, I think it would be useful.

That is not to stay that it should be financed in any particular way. It doesn't suggest that capital spending should be financed by borrowing and other spending shouldn't. It simply suggests it would be useful to have it identified in more than one place.

Senator ABDNOR. One of the problems of definition or perception we get here is capital budget means, in most State and municipal arrangements, money you borrow as against the revenue for ongoing purposes. We borrow for everything so it doesn't really make any difference.

The point is, do I understand you are preparing a report for us on what——

Mrs. RIVLIN. Let me check on what the status of that is. That is right. It should be ready early in the next Congress.

Senator ABDNOR. Is it going to have some recommendations about where to locate some ongoing responsibility here?

Mrs. RIVLIN. So far as I know, it does not address the question of where to locate that responsibility.

Senator ABDNOR. But the Congressional Budget Office is a feasible location.

Mrs. RIVLIN. It might be but I think——

Senator ABDNOR. Or it might be adding something to you you don't want to do.

Mrs. RIVLIN. I don't think we have the size of staff that could take on original work in trying to figure this all out.

Senator ABDNOR. The Corps of Engineers is a possible place, is it not?

Mrs. RIVLIN. Well, I think a location with a more general responsibility would probably be better.

Senator ABDNOR. Mr. Chairman, I really do think this is something we can do some creative legislating about. We do not have a capital program and we look up and find—it is not a small thing to say that airlines last year lost $1 billion, the inadequate airport facilities cost the airlines $1 billion and x number of them have gone bankrupt. It seems to me that this committee ought to have oversight over capital formation and maintenance.

I am thinking about where it ought to be in the executive branch and how we ought to do it is a perfectly good assignment. It is the kind of thing if you put your mind to, I think you will come up with a range of possibilities. Perhaps in your report you can give us some random thoughts on the subject if you have any.

Mrs. RIVLIN. I think we can do that.

Senator ABDNOR. I would appreciate it very much.

Thank you.

Senator STAFFORD. Thank you, very much, Senator.

Thank you, again, very much indeed, Mrs. Rivlin, for helping the committee this morning.

If there is nothing further, the committee will stand adjourned until 10 o'clock Tuesday morning, when the markup is scheduled subject to proviso that if a hearing is requested by the Secretary of Transportation or some other substantial request for hearing is made, the Chair will schedule that prior to next week.

The committee is adjourned.

[Whereupon, at 11:48 a.m., the committee recessed, to reconvene at the call of the Chair.]

[Senator Moynihan's opening statement follows:]

STATEMENT OF SENATOR DANIEL PATRICK MOYNIHAN
AT A HEARING ON ENVIRONMENT AND PUBLIC WORKS
COMMITTEE ON INFRASTRUCTURE JOB OPPORTUNITIES
DECEMBER 1, 1982

We are privileged to have Dr. Rivlin with us today. The distinguished Chairman of our Committee knows that I, along with our beloved ranking minority member, have been interested in the important topic that goes under this awful word--"infrastructure"--for a long time. I am delighted that events have at last propelled us into hearings on the subject.

Today, I am introducing, along with 14 cosponsors, a bill that combines an accelerated public work repair and rehabilitation effort for fiscal year 1983 with a propos --originally advanced in September of this year as S. 2926--to require a long-term national public works investment plan.

Such a bill differs from what we understand the Administration and Senate Republicans have thus far proposed. First, spending will be directed to repair and rehabilitation projects, as against new construction. Repair work puts people back on the job faster than new construction. If we spend $6.0 billion for the the accelerated public works repair and rehabilitation effort I propose, we will create an estimated 350,000 to 500,000 jobs, both on-site and off.

The second important difference is that projects to rehabilitate water supply distribution systems and sewer lines are included in the package I propose along with highway, bridge, and mass transit projects. Water systems are critical components of the infrastructure. We neglect them at our peril. Moreover, including water systems in the infrastructure proposal I have set forth addresses what is, perhaps, the largest disagreement of consequence in the encouragingly bipartisan work on a public works proposal. Directing money towards water system repair will both fund those projects of greatest merit and target money to areas of highest unemployment. Deteriorating water systems are, in the main, located in older urban areas that coincide with concentrations of unemployed persons.

In but several weeks, the subject of public works has risen from relative obscurity to an acknowledged first step towards putting some of the nation's 11.6 million jobless persons back to work. Ten percent of those unemployed work in the construction trades. Accelerating existing programs for repair of essential public facilities is an expeditious and efficient means of providing short-term employment. Employment, we should note, that is neither dead-end nor make-work.

Yet, we will have failed to make a distinctive contribution to the jobs bill now being developed if we fail to bring rationality and long-term planning to public works investment. The need is dramatized, surely, by the fact that during the 1970s, we were disinvesting in our highways, roads, bridges, mass transit, water and sewer networks--and nobody even knew.

Between 1968 and 1977, public works investment in constant dollars declined at an average annual rate of 3.7 percent. By 1980, total public works investment by all levels of government dropped to $26 billion, as against the 1970 level of $38 billion. Though these facts are not in dispute, neither were they contained in any of the budget information provided to Congress. Nowhere are the data on infrastructure investment assembled in a fashion that makes such analysis accessible.

For this reason, I propose a national inventory of our civilian public works needs, and a means of budgeting for these needs over the long term. Most states and municipalities have what are known as "capital budgets" that are set apart from their annual operating budgets; the difference being that the capital budgets are typically financed by borrowing, i.e. bonds. That is not our purpose.

What we propose, instead, is that the existing unified budget have a portion that is simply identified as consisting of capital projects. In that way, we can keep track of capital outlays and assemble the budget information and formats that accurately express the level of receipts, expenditures and investment in our capital goods. In effect, if you will, a capital investment program.

The essentials of this program and the inventory of our needs will be drawn by a national commission staffed by the Army Corps of Engineers and financed from existing government resources. The commission will address issues related to public works investment as well as coordinating the plan for such investment. We need to understand better, for example, how the tax code influences public investment. (One begins to suspect that the huge tax advantages recently given to private investment are going to put public investment at a comparative disadvantage.)

To sum, we should have a proposal that addresses an immediate need--jobs for the unemployed--with a solution of both temporary and long-term benefit--repairing deteriorating public works now and settling the question of how we should do so in the future.

SUMMARY OF THE PUBLIC IMPROVEMENTS REPAIR ACT OF 1982

Title I authorizes $6 billion for the repair and rehabilitation of Interstate highways; Federal-aid primary, secondary, and urban roads; bridges; mass transit systems; sewers; and water supply facilities. The funds would be distributed to States and cities through existing Federal allocation formulas and programs. The formulas are based primarily on assessments of maintenance and repair needs but, in many cases, they will also direct the additional funds to economically distressed areas.

The use of well-established programs will help speed the distribution of funds and permits the program to get underway immediately, without creating a new Federal bureaucracy or additional red tape. The proposed program would establish only two new limitations on the use of the additional funds:

(1) construction work on the projects supported with the funds would have to be underway within 120 days of receipt of the funds, and

(2) construction work on the projects would have to be completed within two years.

These requirements are designed to insure that the program has an immediate, counter-cyclical impact on unemployment and that its funds are not diverted to long-term projects.

The bill would allow States and cities to determine repair priorities and to manage the repair work, just as they do under the pre-existing Federal programs.

The bill allocates the $6 billion as follows:

Highways and Bridges - Through existing formulas administered by the Department of Transportation, $3 billion is provided for the so-called "4R" program (resurfacing, restoring, rehabilitating, or reconstruction) on Interstate and other Federal-aid highways. An additional $1 billion is provided for the replacement or rehabilitation of structurally deficient bridges on the Federal-aid highway system.

Mass Transit - Through existing programs administered by the Department of Transportation, $1 billion is provided for the repair and rehabilitation of existing urban mass transit systems.

Sewers and Water supply facilities - Under the auspices of the Environmental Protection Agency, and allocating funds through the Community Development Block Grant formula, $1 billion is provided for the major rehabilitation of sewers, water supply distribution lines, and pumping stations.

THE REBUILDING OF AMERICA ACT OF 1982

Title II establishes a National Commission on Rebuilding America which would:

(1) conduct an inventory of national public improvements by region, state, and metropolitan area and by type of facility, with attention to the condition of the facilities, their sufficiency to support economic growth, and recent patterns of investment and deterioration, and

(2) develop a national public improvements plan, setting priorities and detailing the means of financing needed public

improvements over the next ten and twenty years and further recommending changes in Federal laws, regulations, and policies that would permanently insure adequate investment, and clarifying the relationship among Federal, state, and local responsibilities for development and maintenance of public improvements.

The 13-member Commission would be composed of five private sector representatives conversant with public improvements needs, one of whom would be Commission chairman, the Secretaries of the Army, Transportation, and Commerce, and representatives of the five major organizations of state and local elected officials.

The Commission would have two years and a budget of five million dollars to complete its work. The $5 million would be drawn from existing appropriations. The Army Corps of Engineers, which spearheaded the development of the Nation's public improvements in the 19th and early 20th centuries, would provide principal administrative support to the Commission. The Commission would be restricted to no more than thirty full-time employees, drawn from and paid by various Federal agencies. No new Federal employees would be hired.

The Commission's recommendations regarding investment priorities would become binding unless disapproved by the Congress within 120 days of their submission. However, no laws or regulations would be altered through this process.

Finally, the bill requires the U.S. General Accounting Office to report to the Congress on the value of revising the annual Federal budget to distinguish capital investment outlays from other Federal expenditures. Capital investment outlays are not separately identified in the Federal budget as it is presently organized.

FUNDING FORMULAS

BILL SECTION	PROGRAM	FORMULA	AMOUNT
102	Interstate highway rehabilitation (4-R)	Existing law 23 U.S.C. 104 (b) (5) (B)	$1,000,000,000
103	Consolidated primary roads	Existing law 23 U.S.C. 104 (b) (1)	$1,000,000,000
	Rural secondary roads	Existing law 23 U.S.C. 104(b)(2)	$ 500,000,000
	Urban road system	Existing law 23 U.S.C 104(b)(6)	$ 500,000,000
104	Highway bridge replacement and rehabilitation	Existing law Table 1, House Public Works Committee Print No. 95-49	$1,000,000,000
105	Urban mass transit rehabilitation	Existing law; Section 5 of Urban Mass Transportation Act of 1974, as amended	$1,000,000,000
106	Water supply and sewer rehabilitation through EPA construction grant program	Existing law; Community Development Block Grant formula; 42 U.S.C. 5306(a)-(d)	$1,000,000,000
TOTAL			$6,000,000,000

COMPARISON OF CURRENT AND PROPOSED FEDERAL SPENDING ON PUBLIC WORKS

REPAIR AND REHABILITATION FOR FISCAL YEAR 1983

BILL SECTION	PROGRAM	FY1983 CONTINUING RESOLUTION	FY 1983 PROPOSED INCREASE	TOTAL
102	Interstate highway rehabilitation (4-R)	$1.0 billion	$1.0 billion	$2.0 billion
103	Consolidated primary, rural secondary, and urban system	2.7 billion	2.0 billion	4.7 billion
104	Highway bridge replacement and rehabilitation	0.9 billion	1.0 billion	1.9 billion
105	Urban mass transit	1.0 billion	1.0 billion	2.0 billion
106	Sewer rehabilitation	not available		
	Water supply rehabilitation	0.0	1.0 billion	1.0 billion
TOTAL		$5.6 + billion	$6.0 billion	$10.6 + billion